

NEWS COLUMN

Health Care Cost Solution

By
James S. Haney
President

If your health insurance agent walked in today and announced, "With no change to your company health plan, I can save you about 20 percent on next year's premium," you would probably faint dead away.

With rare exception, rising health care costs are overwhelming Wisconsin businesses and their employees, who are often picking up a significant share of premium costs. With very limited ability to pass on costs in higher prices, most companies cover growing health care expenses by limiting wage increases or reducing benefits. So, talk about a 20 percent reduction in premiums ought to get our attention!

The cold, hard facts are that the State of Wisconsin imposes a "hidden tax" of about \$250 annually on every insured family in the state by, in effect, not paying its bills. Here is how that works.

Over the years, our elected officials have established state health care programs for individuals who don't have, can't get, or can't afford health insurance. Medicaid (MA) is the lead program, with BadgerCare targeted to poor families with children, and HIRSP designed to provide coverage for the state's medically uninsurable population.

The problem with these programs is that the state adopts reimbursement policies that fail to cover the cost of the care provided. With hospitals, for example, the state reimbursed only 59 percent of what it *cost* to provide hospital services to Medicaid patients in 2003. The total amount of underpayment was at least \$349 million — which was then shifted onto the health insurance premiums of businesses and individuals who are insured.

Wisconsin's Medicaid reimbursement rates are among the lowest in the nation, and because the program is funded approximately 60 percent by the federal government and 40 percent by the state, the state's failure to raise reimbursement rates leaves federal dollars on the table that should come to Wisconsin.

Instead, we add a hidden tax to the insurance premiums of everyone who has health insurance. Those inadequate government payments add up to almost a 20 percent increase in insurance rates for everyone else.

(MORE)

HIDDEN TAX ADD ONE

As recently as 1997, Wisconsin was covering a little better than 80 percent of a hospital's Medicaid costs. That wasn't optimal, but with relatively stable cost inflation, it was tolerable. Unfortunately, over time, lawmakers and governors have cut back on reimbursement rates so that they could create new programs, and health care cost inflation has skyrocketed.

The \$349 million shortfall in 2003 is nearly five times what the state spends as its share of the BadgerCare program, and infinitely more than the zero dollars the state commits to the HIRSP program. Since it is a hidden tax collected by insurance companies, the insurance company gets the black eye for cost increases, and politicians can take credit for expanding health care benefits without paying for them. The resulting artificially high commercial insurance rates make it hard for businesses to provide workers with healthcare benefits.

In the last biennial budget, Wisconsin hospitals took an all funds cut of \$79 million in Medicaid reimbursements. They have not received an inpatient payment increase for eight years - even as the costs to treat Medicaid patients have increased just as they have for all patients. But unlike some health care providers, pulling out of treating Medicaid patients is not an option — hospitals treat anyone who walks in an emergency room door. And so that cost shifts to the insurance premiums of businesses and workers throughout the state.

Many of us think the state's health benefit programs could be fine-tuned so that they continue to provide a safety net, but on a more cost effective basis. But, there is also a need for the state to stop the erosion of reimbursement rates by increasing state funding and capturing more federal dollars — especially for those hospitals who are training future doctors and who are serving high numbers of Medicaid patients. Failure to do so will simply continue to add an oppressive "hidden tax" to the already escalating health insurance premiums paid by businesses and individuals.

###